

Testimony  
of  
The United Illuminating Company  
re:

Senate Bill 594

AN ACT CONCERNING RELOCATION COSTS AND  
ELECTRIC UTILITY RATES

Before  
The Energy & Technology Committee

Legislative Office Building  
February 26, 2009

Good afternoon, Senator Fonfara, Representative Nardello, and members of the Energy & Technology Committee. My name is Anthony Vallillo and I am President and Chief Operating Officer of The United Illuminating Company (UI). I am here today to provide comments in strong opposition to **Senate Bill 594 – AN ACT CONCERNING RELOCATION COSTS AND ELECTRIC UTILITY RATES**.

Senate Bill 594 is a bill without merit. It is anti-business, unnecessary, and harmful to UI's customers. It appears the purpose of the bill is to prohibit UI, and potentially any utility company, from pursuing a sound strategic real estate plan that will result in enhanced customer service and reduced costs for all customers. The harm to the Company and its customers results from the denial of rate recovery of the "relocating expenses" associated with executing a plan that provides benefits to all customers. The bill is contrary to long established ratemaking principles and constitutional standards.

Even though the bill would apply to any utility moving operations from one municipality to another, it would appear that the genesis of the proposal is UI's decision to consolidate its business facilities, including the relocation of a portion of its current business operations from New Haven to Orange, CT.

UI has been in existence for over 100 years. Throughout our long history we have had operations and office facilities in a number of the 17 cities and towns in the Greater New Haven and Bridgeport areas. As a company we have never been housed exclusively in one city or town. Currently our business locations include leased office space not only in downtown New Haven but also leased office space at three locations in Shelton, a leased operations facility in North Haven and company-owned operations facilities in both New Haven and Shelton.

Following a comprehensive real estate analysis several years ago, UI concluded that a consolidation of all its business activities to a single location in the center of our service territory was the best strategy for our customers and employees. When compared to costs associated with operating and maintaining current multiple facilities, such a consolidation will enhance our ability to continue providing high quality and reliable service that our customers expect and deserve, while lowering overall costs to **all** 320,000 customers in the future.

The cost reductions and savings to customers relate to the costs associated with operating out of multiple facilities, some of which will require major renovations or long-term commitment in the form of extended leases. Another example of cost savings is the reduction in miles driven by UI employees, with both personal and company-owned vehicles. Having all employees housed at a single site reduces the need to drive to and from the current six locations. There are other efficiency and process improvements to be gained from having combined operations at one location.

It also appears this legislation is an effort to prevent and/or punish UI for implementing its consolidation plan. This is likely based on the unfounded assumption that relocating our current office operations out of New Haven will have a material negative impact to

New Haven. This is not the case. UI leases the office space it occupies in the Connecticut Financial Center in downtown New Haven. The building owner will continue to pay the property taxes on the building as it currently does. Also, UI will also continue to pay personal property taxes for the electric infrastructure (wires, poles, etc.) we own in New Haven. There may also be an assumption that this leased office space will remain unfilled after UI departs in 2012. The building owner has ample time to find a new tenant and should be highly motivated to do so. .

The Company has submitted substantial supporting information to the Department of Public Utility Control substantiating the customer benefits relative to the relocation of UI offices and operations centers. The DPUC, in the Company's general rate application in 2006, determined "...that centralizing the Company's facilities in one location makes strategic sense and should result in synergistic efficiencies in the Company's Operations." In its decision on our most recent rate proceeding, the DPUC stated, "...the Department still believes that the Company should pursue a consolidation of its business locations and staff if it is the lowest cost option..." The Department, through a comprehensive proceeding, will ultimately determine whether the Company's decision and the related economics are in the best interests of all UI customers, including those in New Haven. Enactment of this legislation without the benefit of all the factual information and analysis would be a detriment to all of UI's customers.

For all of these reasons, the Company strongly opposes **Senate Bill 594 – AN ACT CONCERNING RELOCATION COSTS AND ELECTRIC UTILITY RATES.**

I would be happy to answer any questions you may have.